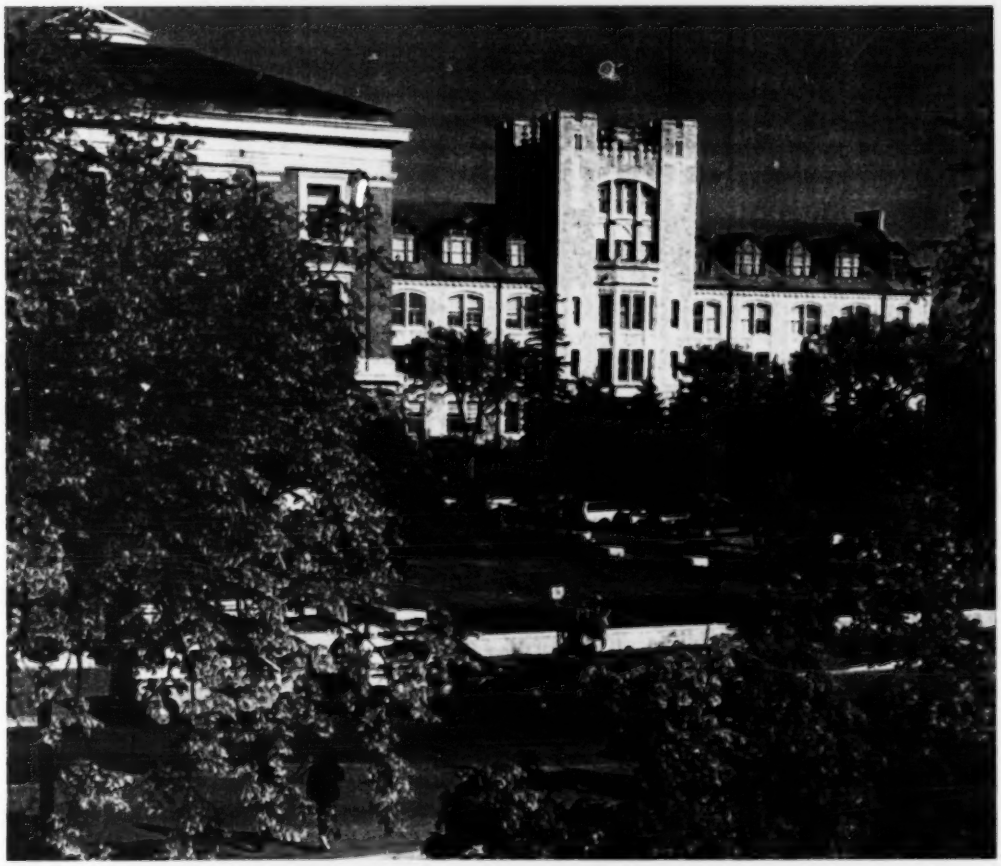
ANNUAL FINANCIAL REPORT 2010



UNIVERSITY OF MANITOBA

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(Additional information is available at www.umanitoba.ca/admin/financial_services/)

MISSION:

To create, preserve and communicate knowledge, and thereby, contribute to the cultural, social and economic well-being of the people of Manitoba, Canada and the world.

VISION:

Our students, staff and alumni will have an association with the University of Manitoba that is transformative and their discoveries will be of the greatest possible benefit to their own lives, and to the lives of others.

VALUES:

Excellence, Equity and Diversity, Accountability, Innovation, Integrity, Humanity, Responsibility to Society, Environmental Sustainability, Selectivity, Academic Freedom.

REPORT OF THE BOARD OF GOVERNORS

To the Minister of Advanced Education and Literacy, Manitoba

In Compliance with Section 22(1) of The University of Manitoba Act, the Annual Report on the financial affairs of the University for the year ended March 31, 2010 is herewith submitted to the Minister of Advanced Education and Literacy. In this report, we set forth in detail –

(a) the receipts and expenditures for the next preceding fiscal year,
(b) the investments as they stood at the end of the year, and
(c) other particulars which may be of interest to the Minister of Advanced Education and Literacy.

Included with this Report are the Report of the Vice-President (Administration), the Statement of Management Responsibility for Financial Reporting and the Report of the Auditor General of the Province of Manitoba on the audit of the accounts of the University.

Receipts and Expenditures:
Summary of General Operating Fund Results
(in thousands of dollars)

	Year Ended March 31 2010	2009
Revenues and Other Additions	$ 497,770	$ 458,394
Expenditures and Other Deductions	463,620	416,846
Net Revenues	34,150	41,548
Net Appropriated To Specific Provisions	(8,589)	(15,718)
Inter-Fund Transfers	(25,536)	(25,814)
Net Increase To Fund Balances	$ 25	$ 16

Additions exceeded deductions by $34,150,000 for the current fiscal year. Net appropriations of $8,589,000 were made to specific provisions and an amount of $25,536,000 was transferred to other funds. The resulting net surplus of $25,000 has been added to the general operating balance in the General Operating Fund, increasing it to a balance of $2,271,000 as at March 31, 2010.

Investments:
Investment holdings at March 31, 2010 were as follows (at fair value):
(in thousands of dollars)

Canadian Bonds and Other Fixed Income	$ 177,484
Canadian Equities	114,843
U.S. Equities	60,496
International Equities	46,337
Pooled Real Estate	43,726
Bankers Acceptances, Guaranteed Investment Certificates and Cash	43,004
	$ 485,890

Details of the above summaries will be found in the Consolidated Financial Statements of the University which follow.

REPORT OF THE BOARD OF GOVERNORS

Members of the Board of Governors:

At March 31, 2010 the members of the Board of Governors were as follows:

Chair
Terry Sargeant, B.A., LL.B

Vice-Chair
Janice Lederman, B.A., LL.B.

Chancellor
Harvey Secter, B.Comm, LL.B., LL.M., LL.D.

President and Vice-Chancellor
David T. Barnard, B.Sc., M.Sc., Ph.D (Toronto), Dip.C.S. (UBC)

Appointed by the Lieutenant-Governor-in-Council:
Aaron Berg, B.A. (Hons.), LL.B.
Patricia Bovey, B.A., FRSA
Evan Bowness
Amelia Curran, B.A.
Mona Forsen, B.Comm. (Hons.), M.B.A
Judi Heppner, B.A., B.S.W.
Janice Lederman, B.A., LL.B.
Richard Mahé, B.A.
Heather Milan, B.Sc.
Michael Robertson, B.A., M.A., MAA, MRAIC
Terry Sargeant, B.A. LL.B.
Thomas Strutt, B.A. (Hons.), M.A., LL.B.

Elected by Senate
Joanne Embree, M.D., FRCPC
Doug Ruth, B.Sc., M.Sc., Ph.D.
Richard Sigurdson, B.A., M.A., Ph.D.

Elected by Graduates
Romel Dhalla, B.A., B.Comm. (Hons.)
Gwen Hatch, B.A., LL.B.
Rennie Zegalski, B.Comm. (Hons.)

Elected by the University of Manitoba Students Union
Andy Bonar, B.A.
Mitch Tripple
Sid Rashid, B.Sc.

University Secretary
Jeffrey M. Leclerc, B.Ed., M.Ed.

Respectfully submitted,
The Board of Governors,
The University of Manitoba.

Original signed by:

Terry Sargeant,
Chair.

REPORT OF THE VICE-PRESIDENT (ADMINISTRATION)

Building on a tradition of excellence, innovation and global influence.
Forging a vision of discovery and growth.
Achieving greatness.

In June, 2009 the Board of Governors and Senate approved the University's new strategic planning framework culminating many months of discussions with faculty, staff, students and members of the broader community about the kind of institution the University should aspire to be and, in pursuing this aspiration, what priorities should be paramount. This framework, which now guides the major decisions made at the University, includes the following four priorities:

- Enhancing academic offerings by focusing on issues relevant to our world today, while remaining true to our core teaching and research strengths
- Delivering an exceptional student experience
- Improving aboriginal achievement
- Being an outstanding employer

The University of Manitoba respectfully acknowledges the Council on Post-Secondary Education (COPSE) and the Province of Manitoba for their continued support. For 2009-10, the Province increased the University's base operating grant by 4.5% and authorized tuition fee increases of up to 4.5% effective September, 2009. This was the first general tuition fee increase since the 10% tuition rebate program and tuition fee freeze were implemented by the Province a decade ago. The combined 2009-10 tuition/grant increase equated to a 5.6% base grant increase.

While the funding increase was appreciated, it fell short of the funding required to maintain 2008-09 levels of programs and services and was also significantly less that the 2008-2009 base grant increase of 7.4%. A variety of actions were taken to address this shortfall, including: a 1% basic budget reduction was applied to most units, undergraduate international student fees were increased by 22%, the tuition fee refund policy was revised limiting the refund period to the end of the course change period, the baseline subsidy for the shuttle bus and the Centre for Higher Education, Research and Development were eliminated, and baseline funding for the Extended Education Division was reduced by $500,000. The combined result of these and other actions was the creation of a balanced budget which afforded a small pool of funds to begin addressing the strategic priorities articulated in the new planning framework.

Despite our financial challenges, the University community continues to be highly successful in its quest for excellence. The following provides an overview of the financial results of the University for the fiscal year ended March 31, 2010. In doing so, I share the University community's success toward achieving greatness.

Investing in Manitoba's Future

In 2009-10 total University revenue in all Funds (unrestricted and restricted) was $762 million, an increase of 26.9% from 2008-09 revenue of $600 million. The increase in total revenues was primarily the result of investment recoveries after the losses of 2008-09.

Net investment income of $57 million represents a $119 million swing from the net investment loss of $62 million recorded in the prior year. These results are primarily attributable to Trust and Endowment investments which consist of a balanced portfolio of investments established to provide long-term returns. Global declines in equity markets during the prior year were largely recovered in the current year. A more detailed discussion of Trust and Endowment appears later in this report.

The Province of Manitoba through COPSE, Manitoba Health, Manitoba Student Aid, Agriculture and various provincial councils and funds in support of teaching, innovation, capital and research is the largest single supporter of the University, representing 45.3% or $345 million of total revenue, up from $314 million last year.

Students, through their tuition and related fees, provided the second largest source of the University's revenue during the year. In 2009-10, $108 million was assessed and collected, up from $98 million in the prior year. These fees represent about 14.2% of total revenues. The increase in the year is due in almost equal measure to higher enrolment levels and increased tuition fees.

Support from the Government of Canada increased from $74 million to $88 million or 11.6% of total revenues. Federal programs provide significant support to research, capital, and indirect costs of research at the University. The majority of the increase this year is due to support for capital projects from Canada Foundation for Innovation ($7.8 million), the Knowledge Infrastructure Program ($5.0 million), and Western Economic Diversification ($3.6 million).

Table 1
General Operating Fund
Summary Statement
(in thousands of dollars)

	April 1, 2009 Budget	%	March 31, 2010 Actual	%	March 31, 2009 Actual	%
Revenue:						
COPSE	$ 280,846	60.2%	$ 281,132	56.4%	$ 266,845	58.2%
Tuition Fees	102,708	22.0%	108,397	21.8%	98,465	21.5%
Ancillary Services	31,188	6.7%	32,796	6.6%	32,062	7.0%
Sales of Goods & Services	28,791	6.2%	31,252	6.3%	29,500	6.4%
Investment & Other Revenues	4,390	0.9%	18,734	3.8%	9,902	2.2%
Other Province of Manitoba	9,923	2.1%	16,519	3.3%	12,407	2.0%
Government of Canada	8,873	1.9%	8,940	1.8%	9,213	2.7%
	466,719	100.0%	497,770	100.0%	458,394	100.0%
Expense by Function:						
Instruction	$ 242,664	53.0%	$ 268,785	58.0%	$ 250,464	60.1%
Plant Maintenance	42,227	9.3%	43,118	9.3%	38,892	9.3%
Administration	29,328	6.4%	30,665	6.6%	29,443	7.0%
Ancillary Services	28,441	6.2%	29,038	6.3%	27,797	6.7%
Student Affairs	19,964	4.4%	21,460	4.6%	20,399	4.9%
Other Academic Support	24,864	5.4%	20,096	4.3%	20,273	4.9%
Libraries	24,643	5.4%	16,973	3.7%	16,506	3.9%
Scholarships, Bursaries, Prizes and Awards	5,975	1.3%	6,944	1.5%	6,935	1.7%
General	5,158	1.1%	6,300	1.3%	3,853	0.9%
Property Tax	600	0.1%	408	0.1%	410	0.1%
Actuarially Determined Pension Expense			21,268	4.6%	4,043	1.0%
Actuarially Determined Employee Future Benefits			3,062	0.7%	410	0.1%
Staff Benefits Contra			(4,497)	(1.0%)	(2,579)	(0.6%)
Central Reserves *	33,852	7.4%				
	457,716	100.0%	463,620	100.0%	416,846	100.0%
Net Revenue	9,003		34,150		41,548	
Net Transfer to/from Other Funds	(9,003)		(34,125)		(41,532)	
Net Increase to Fund Balance	$		$ 25		$ 16	
Expense by Type:						
Salaries & Wages	$ 264,152	57.7%	$ 287,354	62.0%	$ 269,780	64.7%
Supplies and Expenses	111,027	24.3%	66,735	14.4%	58,959	14.1%
Staff Benefits	38,401	8.4%	64,130	13.8%	43,297	10.4%
Ancillaries Cost of Goods Sold	15,522	3.4%	16,888	3.6%	16,339	3.9%
Utilities	16,220	3.5%	14,932	3.2%	15,293	3.7%
Scholarships, Bursaries, Prizes and Awards	5,975	1.3%	6,944	1.5%	6,935	1.7%
Payroll Tax Levy	5,819	1.3%	6,229	1.4%	5,833	1.4%
Property Tax	600	0.1%	408	0.1%	410	0.1%
	$ 457,716	100.0%	$ 463,620	100.0%	$ 416,846	100.0%

* Represents funds budgeted for distribution to unit budgets during the year for salary and contract increases and other centrally funded initiatives.

The University received $79 million or 10.4% of total revenue in contributions, donations, and grants in support of research, special projects and initiatives, capital, chairs, scholarships, bursaries and staff benefits in 2009-10 from our generous individual and corporate donors, contributors, and employees. This declined compared to the $104 million received the prior year, mainly due to lower Trust and Endowment donations and reduced Research and Special Fund grants from US government and charitable sources.

The University's Ancillary Services, which are comprised of the BookStore, Residences, Parking and Pharmacy, generated $33 million or 4.3% of total revenue in 2009-10, an increase of $0.7 million over the prior year. Ancillary Services are completely self-sustaining and contribute to the University's operation by covering their share of overhead in addition to their direct costs, as well as the capital costs of refurbishing Ancillary facilities, acquiring equipment and constructing and upgrading parking lots. They also support non-revenue generating units such as Security Services.

The sale of various goods and services generated 4.1% of total revenues in 2008-09 or $31 million, up almost $2 million from 2008-09. These revenues supplement the resources available to many faculties and schools for operating purposes while at the same time providing valuable linkages to the community.

Insurance proceeds related to the Duff Roblin fire have been included in miscellaneous income and account for the increase in that revenue category this year.

General Operating Fund

The results of the General Operating Fund for 2009-10, shown on a comparative basis with the prior year and the April 1, 2009 Board of Governors approved operating budget are summarized in **Table 1, General Operating Fund**. Operating revenues are shown by source, and expenses are shown by function and type to provide an overview of how the University utilizes the resources of the General Operating Fund. The University was successful again this year in achieving a balanced budget. Although under increasing budget pressure, there is a strong commitment to fiscal responsibility and financial stability on the part of the University's administration, faculties, schools, libraries, and support units. This is achieved in a decentralized system of budgetary control where academic and support units are allocated resources to meet the strategic priorities of the University. The operating units are provided with procedures to administer their budgets responsibly and to ensure there is accountability for the resources that are transferred to them.

The current fiscal year general operating surplus was $25,000 after net transfers of $34.1 million to other funds. During the year a total of $59.1 million was transferred into the operating fund in support of general operating expenses. The source of this funding was mainly prior year unit carryover funds ($48.3 million), but also included amounts from other Specific Provisions ($2.9 million), Trust ($6.2 million), Research ($0.9 million), and Capital ($0.8 million).

At the end of the year, $56.4 million was transferred into Specific Provisions, the most significant of which were $50.2 million for unit carryover and $3.6 million to support the design phase of the Resource Optimization and Service Enhancement project currently underway. Also reflected as a transfer out of the general operating fund during the year was $44.3 million expended on capital asset additions which includes capital equipment and renovation items incurred by individual faculties and units and library acquisitions. Other transfers include some additional one-time items in the current year including $5.5 million for expansion of the Wallace Building in support of the recently announced Canada Excellence Research Chair in Arctic Geomicrobiology and Climate Change, funding provided by Manitoba Health to support expanded enrolment in Medicine ($3.6 million), and prior funding shortfalls for Richardson Centre for Functional Foods and Nutraceuticals, Engineering and Information Technology Complex and Aboriginal House ($6.2 million). These additional one-time transfers were made possible by additional revenues (for example, the unbudgeted growth in enrolment) and some savings on expenses. Because the University uses fund accounting to account for its revenues and expenses, there are many transfers between funds which are detailed in the notes to the accompanying financial statements.

As detailed in Table 1, general operating expenses increased by $46.8 million or 11.2% in fiscal 2009-10 over 2008-09. The largest drivers of this are the actuarially determined pension expense and employee future benefits which account for $19.9 million of the increase. Instruction expense has increased by $18.3 million or 7.3% as a result of negotiated salary increases and additional academic positions. Also showing an increase this year is plant maintenance as a result of costs associated with the Duff Roblin fire. These costs were supported by insurance proceeds.

Resource Optimization

In response to continuing budget pressures and with a view to improving service levels, the University launched two major internal projects during the year. The Optimizing Academic Resources (OARs) project is focusing on: academic synergies and efficiencies; rules, regulations and "red tape"; and strategic enrolment management. The goal of OARs is to reduce barriers to the effective use of academic resources and improve efficiencies. OARs progress to date has identified

significant opportunity for improvement and the proposals are being considered by appropriate bodies within the University structure.

The Resource Optimization and Service Enhancement (ROSE) project is a review of administrative and academic support services designed to reduce costs and enhance services. ROSE is now in the design phase where many of the initial observations are being validated and further defined with the expectation that improvements can begin to be implemented during the 2010-11 year so that benefits are in place for future budget years.

Participation from all levels of the University in the OARs and ROSE projects has been significant. This spirit of participation and cooperation will be critical to the ultimate success of these projects.

Staff

The University of Manitoba's most valuable resource is its faculty and staff who bring their knowledge, expertise, and commitment to the table, working in a collegial fashion to achieve the University's goals. Of the 4,500 full time equivalent staff employed during the year, 2,014 were faculty and 2,486 were administrative staff. Ancillary Services employed a further 151 staff. Staffing levels have increased during the year partially in response to increased student enrolment, strategic initiatives, and continually elevating compliance requirements from oversight bodies, regulatory agencies, and external funders. The administrative staffing levels are being reviewed as part of the resource optimization efforts which are focusing on eliminating unnecessary internal process complexity and duplication of effort.

People drive the success of the University of Manitoba – faculty and staff are committed to providing students with the exceptional education that they expect and deserve. The experience in the classroom and research laboratory is paramount to students' future success and contribution to society. Attracting and retaining the best faculty and staff requires that we compete globally by offering fair compensation packages, modern facilities in which to teach and perform research, and state-of-the-art equipment in classrooms and laboratories.

Faculty achievements throughout the University community this past year were many and varied and are too numerous to detail in this report. To name a few: Dr. Stephen Moses, medical microbiology, was recognized as one of only eight recipients of the 'Top Canadian Achievements in Health Research' by the Canadian Institutes of Health Research and the Canadian Medical Association Journal; three professors—Distinguished Professor and Vice-President (Research) Dr. Digvir S. Jayas (biosystems engineering), Dr. Noralou Roos (community health sciences) and Dr. Ronald Stewart (environment & geography)—were inducted as Fellows of the Royal Society of Canada (RSC), the country's most prestigious association of scholars and scientists; Dr. Kenneth Standing, Professor Emeritus, physics and astronomy, received the Sir John William Dawson Medical award from the RSC for excellence in interdisciplinary research; Distinguished Professor Dr. Harvey Max Chochinov, psychiatry/community health sciences/family medicine and Director of CancerCare Manitoba's Palliative Care Research Unit, received the 2009 Dr. John M. Bowman Memorial Winnipeg Rh Institute Foundation Award for outstanding research by senior university faculty; and Dr. Elissavet Kardami, human anatomy and cell biology, and the Institute of Cardiovascular Sciences at St. Boniface Hospital Research, was awarded the YMCA-YWCA Women of Distinction Award in the Research and Innovation category, while Dr. Wanda Wuttunee, native studies, received the award in the Education and Training category.

Students

Overall enrolment increased this year, both at the undergraduate and graduate levels. Participation of high school graduates has remained strong; in addition, the increased youth unemployment rate may have encouraged more students to begin or continue their studies.

Notable, however, is an operational change in the cancellation policy, making the enrolment increase appear larger than would otherwise have been the case. Without the operational change, the overall increase in credit hours, from which tuition revenues are generated, would have been approximately 2%. On that same net basis the corresponding increases in undergraduate and graduate enrolment would have been approximately 2.5% and 2%, respectively. Substantial increases at the undergraduate level were seen in University One and Agriculture Diploma.

Self-declared Aboriginal student enrolment grew slightly from 6.7% to 6.9% of the total student population.

Summer Term enrolment grew approximately 2%, at essentially the same rate as Fall Term.

There was a net increase in International enrolment, with the graduate component increasing by over 15%, in contrast to a 1.4% decrease in undergraduate students.

Table 2
Selected Statistics

	Fall Term 2009	Fall Term 2008	Fall Term 2007	Fall Term 2006	2005-2006
Enrolment					
Total Students[1,2]	27,476	26,238	26,814	26,931	28,049
-Undergraduate students	23,654	22,544	23,044	23,251	24,267
% Annual Change	4.9	(2.2)	(0.9)		1.4
Full-Time	19,174	18,345	18,767	18,494	17,904
Part-Time	4,480	4,199	4,277	4,757	6,363
-Graduate students	3,333	3,224	3,290	3,236	3,332
% Annual Change	3.4	(2.0)	1.7		2.2
Full-Time	2,550	2,452	2,487	2,463	2,352
Part-Time	783	772	803	773	980
-Post-Graduate Medical Education Students	489	470	480	444	450
Summer Enrolment	9,637	9,437	9,599	9,638	11,127
% Annual Change	2.1	(1.7)	(0.4)		7.7
Full-Time Equivalent Students[1,3]	26,470	25,384	25,928	25,735	25,983
% Annual Change	4.3	(2.1)	0.8		2.2
International Students	2,165	2,134	2,419	2,602	2,661
Self-Declared Canadian Aboriginal Students[4]	1,883	1,766	1,648	1,578	1,652
Undergraduate	1,748	1,638	1,513	1,464	1,560
% of Total undergraduate	7.4	7.3	6.6	6.3	6.4
% of Total University 1	8.3	8.3	7.1	6.8	6.1
Graduate	129	123	127	106	87
% of Total Graduate	3.9	3.8	3.9	3.3	2.6
Post Graduate Medical Education	6	5	8	8	5
% of Total PGME	1.2	1.1	1.7	1.8	1.1
Undergraduate Student Credit Hours					
Fall and Winter	503,048	485,695	495,370	504,881	529,332
Summer[5]	51,457	49,244	52,255	55,248	43,889
On-load[6]	6,928	6,133	5,556	5,170	4,410
Degrees, Diplomas, Certificates Conferred					
Undergraduate	4,095	4,382	4,052	4,165	4,006
Graduate	738	765	759	729	696

Note: Fall 2009 figures represent the fourth year of the implementation of a new student information system. Previous years reflect sessional figures and are not strictly comparable.

1. As at November 1st.
2. Includes B.Sc. (Dentistry), B.Sc.(Medicine) and Joint Master's Program students based on workload calculations.
3. Full-Time Equivalent Students = Full-time + (Part-time / 3.5). Includes all terms.
4. Aboriginal identity is a voluntary self declaration made on the Admission form. Therefore, the numbers reported would be less than the total population of Canadian Aboriginal students on campus
5. Beginning in 2005-2006, Summer undergraduate student credit hours include Summer distance education courses. Historical data are not strictly comparable.
6. Courses taught during Summer terms as part of Fall and Winter teaching load.

Table 2, Selected Statistics provides information on undergraduate and graduate student enrolment, self-declared Aboriginal students, undergraduate student credit hours and, degrees, diplomas and certificates conferred on our graduates.

Trust and Endowment Fund

Over the course of the past year, the endowment fund recovered a fairly significant portion of what was lost in 2009. The market value of the overall portfolio in the University Investment Trust ("UIT") climbed to $301 million as of March 31, 2010 ($250 million in 2009), as the fund earned 18.8% on its investments for the year, and the market value of the Specific Trust investments at year end was $38 million ($33 million in 2009). The recovery was due to a rebound in equity markets around the globe. The fund also benefitted from the continuing generosity of donors, who gave another $12.2 million to the UIT and $9.7 million to the Specific Trusts, the latter being targeted to capital projects like the new Pembina Hall Residence.

The UIT maintained a 4.5% spending rate, based on rolling three-year average market values, and this contributed $14.0 million in new allocations for the beneficiaries of the fund. It is important to both the stakeholders and the beneficiaries of the fund to realize a stable flow of income out of the fund, which provides ongoing support for a variety of programs and student needs on both campuses. The decision to continue with a 4.5% spending rate was based on the improving financial strength of the underlying investments of the fund. This spending allocation enables the University to offer student support, attract faculty and researchers, provide programs in faculties and schools, support chairs and professorships, and add to library resources.

During the fiscal year, two new investment management firms were added: Burgundy Asset Management was hired as the sole manager of Canadian equities, and JP Morgan is now responsible for the investment of US equities on behalf of the UIT. The Trust Investment Committee has expressed confidence that these changes will help both portfolios outperform their benchmarks and allow the fund to preserve capital by earning real returns that can support income allocations in the upcoming years.

Table 3.1 and **3.2 Donor Pledges** summarizes pledges received by type of donor and the purpose for which the gift was pledged.

Table 3.1
Donor Pledges by Type of Gift
2009-2010
(Total $30.3 M)

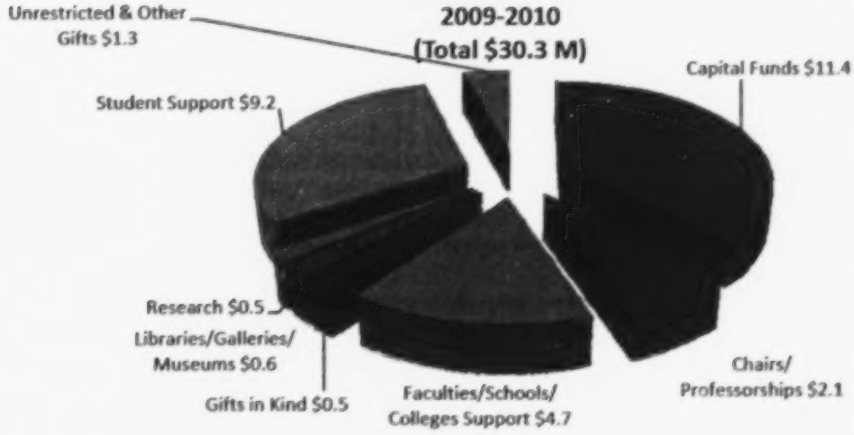
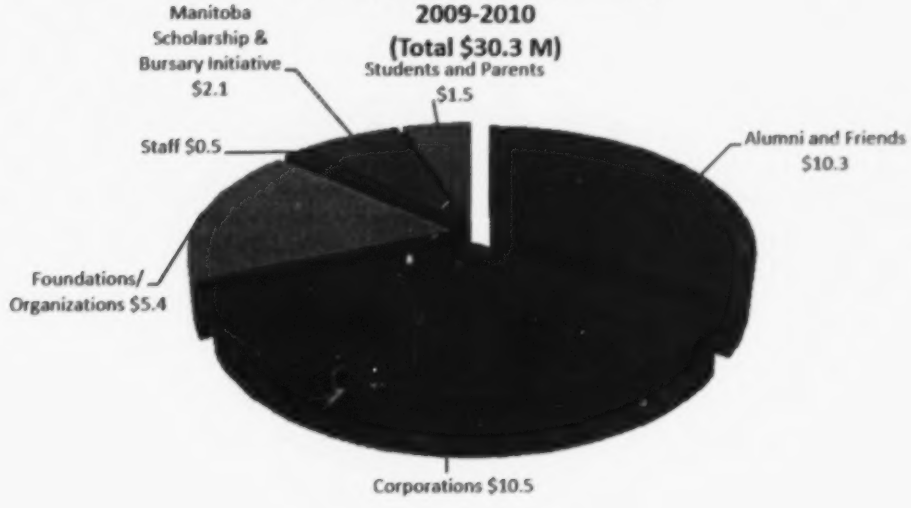


Table 3.2
Donor Pledges by Constituency
2009-2010
(Total $30.3 M)



World Class Research

The University of Manitoba currently holds 49 Canada Research Chairs, and is an active participant in 13 of Canada's National Networks of Centres of Excellence, including the ISIS Canada Research Network (Intelligent Sensing for Innovative Structures), which is headquartered in the Faculty of Engineering. The University is also home to, or a partner in, 39 research centres, institutes and shared facilities that foster collaborative research and scholarship in a wide variety of fields.

The University of Manitoba received $1.7 million in funding for two genomics research projects. They are: the Microbial Genomics for Biofuels and Co-Products from Biorefining Processes project—dubbed MGB^2—co-led by Dr. David Levin, biosystems engineering, and Dr. Richard Sparling, microbiology; and Genome Prairie's Total Utilization of Flax Genomics—dubbed TUFGEN—led by Dr. Sylvie Cloutier, plant science, and Agriculture and Agri-Food Canada. The Levin/Sparling project involves research focusing on the bacteria that converts ligno-cellulosics (a component of straw and woodchips) into ethanol, hydrogen, and bioplastics. Their team will produce metabolically engineered bacteria and create communities of microorganisms that will generate these products in a way that is commercially viable.

In 2009-10, research at the University of Manitoba continued its strength, with investment in a number of key areas. University researchers received $115.9 million in sponsored or assisted research support through grants or contracts from the federal and provincial governments, various foundations, business and industry, and individuals. This represents a 12.7% decrease compared to the $132.8 million received in 2008-09. Although funding from the Federal and Provincial governments has remained consistent, funding from US government and charitable sources declined from $31 million in 2008-09 to $15 million in 2009-10. This decline in US funding is largely due to timing of receipts, where 2008-09 included some large payments, 2009-10 is a transition year, and 2010-11 will see a return to more typical funding levels. The timing of the payments did not have a significant impact on the projects.

Table 4, Research Fund-Expenses by Faculty or Support Unit, illustrates the level of research investment, as measured by the level of spending, in Faculties and Schools in 2009-10. Research investment was highest in the Faculty of Medicine, at a level of $54.7 million in 2009-10. The second-highest was the Faculty of Agricultural and Food Sciences at $10.5 million, followed by the Faculty of Engineering at $8.3 million (including the ISIS Canada Research Network), and the Faculty of Science at $8.3 million. In 2009-10, a total of $112 million was spent on sponsored or assisted research activities at the University of Manitoba.

University of Manitoba researchers were also successful in competing for grant funding from the Canada Foundation for Innovation (CFI), which is matched by contributions from the Manitoba Research and Innovation Fund (MRIF) and industry partners. This funding supports research infrastructure, including the cutting-edge equipment and facilities vital for the University's wide range of innovative research programs. In 2009-10, 15 research projects were awarded to faculty members totaling $4.2 million from the Leaders Opportunity Fund, which is designed to assist universities in attracting excellent faculty to Canadian universities as well as retaining the best researchers in Canada. The new funding supports research in five faculties and three research partner institutions. They are: Faculty of Science (five projects), Faculty of Dentistry (two projects), Faculty of Engineering (one project), Manitoba Institute of Child Health (one project), Manitoba

Table 4
Research Expenses by Faculty or Support Unit 2009-10
(Total $111.8 M)

Institute of Cell Biology/CancerCare Manitoba (one project), and St. Boniface Hospital Research Centre (one project). The projects range from searching for new therapies for Type 2 diabetes and autism, to exploring our immune response to viral infections, and reducing the transfer of pathogens from livestock to humans. Funding from the CFI, MRIF and matching contributions from industry, along with the corresponding expenditures, are reflected in the Capital Asset Fund. In 2009-10, total contributions from these sources were $13.5 million. When combined with sponsored or assisted research funding of $115.9 million, University of Manitoba researchers received $129.4 million in funding in 2009-10.

Investment in Capital, Infrastructure, and Technology

The University is very proud to have received its first Leadership in Energy and Environmental Design (LEED) certification: the Aboriginal House achieved LEED Gold Certification from the Canada Green Building Council this past November.

In 2009-10, the University of Manitoba invested $90.5 million in capital assets as follows:

- $60.8 million for the construction of buildings, infrastructure renewal and land improvements;
- $14.0 million for the acquisition of furniture, equipment and vehicles;
- $ 5.6 million for computer equipment and technological improvements such as building cabling; and
- $10.1 million for library acquisitions and works of art.

In addition, debt servicing costs of $13.9 million were paid, primarily relating to the Provincial Debt, the Arthur V. Mauro Student Residence, the Pembina Hall Student Residence and the Energy Performance Program.

The sources of capital funding for the year included $6.1 million from COPSE, $14.4 million from other Provincial departments, $16.4 million from the Federal Government, $13.7 million from private donors and $4.6 million from other income.

Construction commenced on a number of projects funded through the Government of Canada Economic Action Plan. These include the Bruce D. Campbell Farm and Food Discovery Centre at Glenlea ($1.5 million) funded by the Community Adjust Fund (CAF), Frank Kennedy Renovations ($0.3 million) funded by the Recreational Infrastructure Canada (RinC) Projects, Art Research Technology (ART) Lab ($1.7 million), Biological Sciences Building Upgrade ($1.8 million), Buller Building Labs and Infrastructure Renovation ($0.4 million), Eureka Incubator ($0.2 million), Neil John Maclean Health Sciences Library renovation ($0.2 million), Regenerative Medicine Laboratory ($1.6 million) and Smartpark Lake 2 Infrastructure Development ($2.1 million).

Construction also commenced on the Pembina Hall Student Residence ($2.5 million) which will replace the Tache Hall Residence as that structure is transformed into the new home for the Marcel A. Desautels Faculty of Music and School of Art, as part of Project Domino.

Infrastructure renewal projects undertaken in 2009-2010 included asbestos remediation ($2.1 million), fire and safety ($2.1 million), building envelope upgrades ($3.1 million), and sewer and water projects ($2.8 million). These projects were funded by COPSE capital grants, Critical Deferred Maintenance funding from the Province and the Provincial Debt. In addition, significant teaching & technology and laboratory improvements totaling $2.3 million were undertaken during the fiscal year.

Numerous other capital projects, building upgrades and renovations were completed during the year, including the Welcome Centre ($1.4 million), High Performance Computing Centre ($2.3 million), and Fort Garry Outfall Pumping Station ($0.3 million).

On March 28, 2009 the Duff Roblin Building suffered significant fire damage, particularly the west wing of the building. Recovery and restoration of the building and its contents are progressing. An accounting write-down was recorded for the building ($2.0 million) and furniture and equipment ($2.0 million) in fiscal year 2010. During the fiscal year $10.7 million was spent on fire restoration related to this incident of which $4.0 million was considered capital. Occupancy of the east side is expected in May 2010, and occupancy of the west side in September 2011.

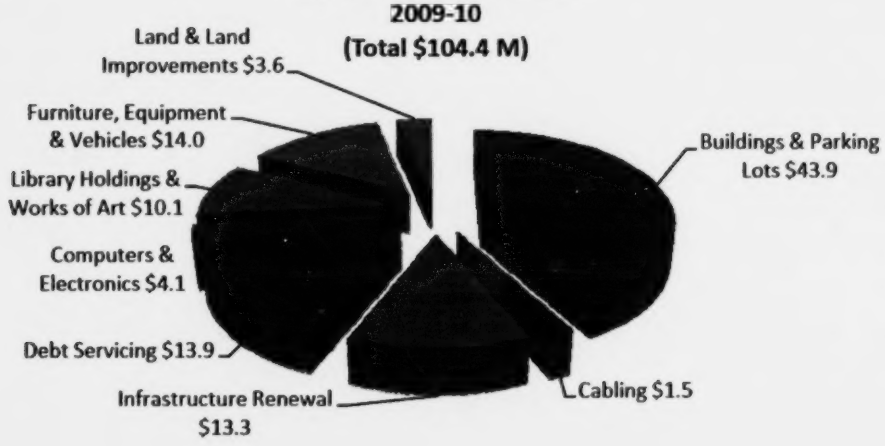
The consolidated financial statements include Smartpark Development Corporation, a subsidiary corporation with the mandate to develop a designated 100 acres of University land as a research and technology park referred to as Smartpark. Fiscal year 2009-10 turned out to be the busiest year ever in terms of development at Smartpark. Five construction projects were in various stages of development during the year including the RTDS Technologies/Transgrid Solutions new/expanded facilities; the second naturalized stormwater retention pond completing property services for the west 50 acres; the Monsanto Canada expansion for its canola breeding facilities; "the eureka project" renovation/expansion at 135 Innovation Drive and the planned construction of the Smartpark Event Centre; and, the Cangene acquisition/renovation of 137 Innovation Drive accommodating its Plasma Centre Resources. The remaining

community of innovators remained strong and fully occupied; and it is likely that we will see a maturating phase to the development curve of activity and an increased focus on management.

Smartpark features state-of-the-art facilities where university-industry research collaborations and innovation takes place on the doorstep of the University in broad strategic areas of: Information and Communications Technology; Engineering and Advanced Materials; Health and Biotechnology; and Agricultural and Nutritional Sciences. Smartpark was established in 1998 with the first building opening in 2002. Smartpark is home to 20 tenant organizations and 10 start-up client businesses, employing 1,100 people in 9 building complexes across the park with $150 million of capital investment.

Table 5, Capital Fund Expenditures provides a more detailed breakdown of the $90.5 million in capital asset expenditures and debt servicing costs of $13.9 million during 2009-10.

Table 5
Capital Fund Expenditures
2009-10
(Total $104.4 M)


Land & Land Improvements $3.6
Furniture, Equipment & Vehicles $14.0
Library Holdings & Works of Art $10.1
Computers & Electronics $4.1
Debt Servicing $13.9
Infrastructure Renewal $13.3
Cabling $1.5
Buildings & Parking Lots $43.9

As Asset to Our Community

In addition to success at providing a quality university education to our students and conducting world class research with global implications, the University of Manitoba reaches out to the community in many other ways, through continuing education, collaborative efforts with business and industry, and through the provision of specialized services not readily available locally. The University operates two main campuses, Bannatyne and Fort Garry, with satellite teaching and research facilities at Glenlea Research Station, Ian M. Morrison Research Farm in Carman, Delta Marsh, University of Manitoba Downtown: Aboriginal Education Centre, and at the William Norrie Centre on Selkirk Avenue.

In addition, Dentistry, Medicine and Social Work all offer programs onsite and through distance education delivery techniques in rural and northern communities. Dentistry offers extensive dental services through the Centre for Community Oral Health and Medicine provides health services through the Northern Medical Unit, bringing dental and health care to remote and Aboriginal communities. The University Centre Pharmacy also operates the Medical Information Line for the Elderly which offers phone and walk-in medication consultation to all Manitobans.

Smartpark continues to flourish, providing business and industry with opportunities to work collaboratively with researchers at the University of Manitoba.

The University commissioned a study during the year which indicates that this institution stimulates $1.8 billion in economic activity in the Province. As illustrated above, the University does more than stimulate the economy in the short term; it is successful in the delivery of education, research, and community service which translates into major long term economic, social, and cultural benefits for the people of Manitoba.

Looking to the future, the University is very excited to be a part of plans for a new professional football stadium at its Fort Garry Campus. The new football stadium will sit on a Ground Lease from the University to a community partnership involving the Province, City of Winnipeg, and Winnipeg Football Club. Interim financing for the project in the amount of $90 million will be provided by the Province to the University and in turn to the stadium partnership. In addition to the

stadium development, the initiative will include a government contribution to the University of $22.5 million which will, in part, facilitate development of a new Active Living Centre at the Fort Garry Campus.

Conclusion

Increased investment in the University is the right choice for Manitoba and will not only result in sustaining the capacity of the University to support learning, innovation in research, and community service, but also ensure that Manitobans will prosper.

The University acknowledges with gratitude the continuing support of the Province and the Council on Post-Secondary Education as well as the support of our students, staff, alumni, and community stakeholders.

Respectfully submitted,

Original signed by:

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Deborah J. McCallum
Vice-President (Administration)

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITOR'S REPORT

To the Lieutenant Governor in Council
To the Legislative Assembly of Manitoba
To the Board of Governors of the University of Manitoba

We have audited the consolidated statement of financial position of the University of Manitoba as at March 31, 2010, and the consolidated statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2010, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

ORIGINAL DOCUMENT SIGNED BY
CAROL BELLRINGER

Winnipeg, Manitoba
May 26, 2010

Carol Bellringer, FCA, MBA
Auditor General

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
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CONSOLIDATED
FINANCIAL STATEMENTS

University of Manitoba
Consolidated Statement of Financial Position
as at March 31
(in thousands of dollars)

Assets	*2010*	*2009*
Current Assets		
Cash	$ 132,864	$ 90,419
Marketable Investments	4,043	30,715
Accounts Receivable (Note 4)	64,548	60,914
Inventories	3,382	3,513
Prepaid Expenses	937	796
	205,774	186,357
Long Term Assets		
Investments (Note 5)	481,847	389,864
Capital Assets, Net of Accumulated Amortization (Note 7)	751,847	710,997
	1,233,694	1,100,861
	$1,439,468	$1,287,218
Liabilities		
Current Liabilities		
Accounts Payable	$ 46,634	$ 49,739
Unearned Revenue	6,523	6,152
Staff Vacation Entitlements	10,590	9,910
Bank Loan	8,800	
Current Portion of Capital Lease Obligations (Note 8)	385	420
Current Portion of Long Term Debt (Note 9)	4,095	4,188
	77,027	70,409
Long Term Liabilities		
Other Long Term Liabilities (Note 10)		2,046
Capital Lease Obligations (Note 8)	440	533
Long Term Debt (Note 9)	191,418	166,748
Employee Future Benefits (Note 11)	61,950	58,888
Pension Obligation (Note 15)	25,311	4,043
	279,119	232,258
Fund Balances	1,083,322	984,551
	$1,439,468	$1,287,218

Contractual Obligations and Contingencies (Note 18)

Original signed by:

Terry Sargeant - Chair

Original signed by:

Janice Lederman - Vice-Chair

(The accompanying Notes form an integral part of the Consolidated Financial Statements)

Consolidated Statement of Operations and Changes in Fund Balances for the years ended March 31 (in thousands of dollars)

	General Funds (Note 2e)	*Restricted Funds (Note 2f)*	*Endowment Fund (Note 2g)*	*2010 Total Funds*	*2009 Total Funds*
Revenue:					
Tuition and Related Fees	$ 108,397	$	$	$ 108,397	$ 98,465
Contributions, Donations, Non-Government Grants	1,547	66,212	11,593	79,352	104,269
Net Investment Income (Note 16)	3,103	36,968	17,270	57,341	(62,123)
Miscellaneous Income	14,084	4,698		18,782	6,550
Government Grants:					
Council on Post-Secondary Education	281,132	6,053		287,185	271,784
Other Province of Manitoba	16,519	41,539		58,058	42,262
Government of Canada	8,940	79,501		88,441	74,438
City of Winnipeg					2,827
Sales of Goods and Services	31,252			31,252	29,500
Ancillary Services	32,796			32,796	32,062
	497,770	234,971	28,863	761,604	600,034
Expense:					
Academic	268,785	117,858		386,643	370,357
Libraries	16,973	129		17,102	16,632
Student Affairs	21,460	106		21,566	20,551
Administration	30,665	2,677		33,342	32,345
Plant Maintenance	43,118	13		43,131	38,902
Other Academic Support	20,096	322		20,418	20,534
General	6,300	8,505		14,805	9,108
Property Taxes	408			408	410
Scholarships, Bursaries, Prizes and Awards	6,944	17,008		23,952	24,117
Interest on Bank Loan, Long Term Debt, Capital Advances and Capital Lease Obligations		6,927		6,927	11,988
Amortization of Capital Assets		45,668		45,668	43,675
Ancillary Services	29,038			29,038	27,797
Actuarially Determined Employee Future Benefits	3,062			3,062	410
Actuarially Determined Pension Expense	21,268			21,268	4,043
Staff Benefits Contra	(4,497)			(4,497)	(2,579)
	463,620	199,213		662,833	618,290
Net Revenue (Expense)	34,150	35,758	28,863	98,771	(18,256)
Inter-Fund Transfers (Note 13)	(48,047)	43,055	4,992		
Net (Decrease) Increase to Fund Balances	(13,897)	78,813	33,855	98,771	(18,256)
Fund Balances Beginning of the Year	29,902	791,941	162,708	984,551	1,002,807
Fund Balances End of the Year	$ 16,005	$ 870,754	$ 196,563	$ 1,083,322	$ 984,551
Unrestricted Funds	$ (66,529)	$	$	$ (66,529)	$ (49,068)
Internally Restricted Funds	82,534	40,393		122,927	121,140
Externally Restricted Funds		184,999	196,563	381,562	334,102
Invested in Capital Assets		645,362		645,362	578,377
	$ 16,005	$ 870,754	$ 196,563	$ 1,083,322	$ 984,551

(The accompanying Notes form an integral part of the Consolidated Financial Statements)

Consolidated Statement of Operations and Changes in Fund Balances for the General Funds for the years ended March 31 (in thousands of dollars)

	General Operating Fund (Note 2e)	*Specific Provisions Fund (Note 2e)*	*Expenses Funded From Future Revenues (Note 2e)*	*2010 Total General Funds*	*2009 Total General Funds*
Revenue:					
Tuition and Related Fees	$ 108,397	$	$	$ 108,397	$ 98,465
Contributions, Donations, Non-Government Grants	1,547			1,547	2,122
Net Investment Income (Note 16)	3,103			3,103	5,649
Miscellaneous Income	14,084			14,084	2,131
Government Grants:					
Council on Post-Secondary Education	281,132			281,132	266,845
Other Province of Manitoba	16,519			16,519	12,407
Government of Canada	8,940			8,940	9,213
Sales of Goods and Services	31,252			31,252	29,500
Ancillary Services	32,796			32,796	32,062
	497,770			497,770	458,394
Expense:					
Academic	268,785			268,785	250,464
Libraries	16,973			16,973	16,506
Student Affairs	21,460			21,460	20,399
Administration	30,665			30,665	29,443
Plant Maintenance	43,118			43,118	38,892
Other Academic Support	20,096			20,096	20,273
General	6,300			6,300	3,853
Property Taxes	408			408	410
Scholarships, Bursaries, Prizes and Awards	6,944			6,944	6,935
Ancillary Services	29,038			29,038	27,797
Actuarially Determined Employee Future Benefits	3,062			3,062	410
Actuarially Determined Pension Expense	21,268			21,268	4,043
Staff Benefits Contra	(4,497)			(4,497)	(2,579)
	463,620			463,620	416,846
Net Revenue	34,150			34,150	41,548
Inter-Fund Transfers (Note 13)	(34,125)	3,564	(17,486)	(48,047)	(36,084)
Net Increase (Decrease) to Fund Balances	25	3,564	(17,486)	(13,897)	5,464
Fund Balances Beginning of the Year	2,246	78,970	(51,314)	29,902	24,438
Fund Balances End of the Year	$ 2,271	$ 82,534	$ (68,800)	$ 16,005	$ 29,902
Unrestricted Funds	$ 2,271	$	$ (68,800)	$ (66,529)	$ (49,068)
Internally Restricted Funds		82,534		82,534	78,970
	$ 2,271	$ 82,534	$ (68,800)	$ 16,005	$ 29,902

(The accompanying Notes form an integral part of the Consolidated Financial Statements)

Consolidated Statement of Operations and Changes in Fund Balances for the Restricted Funds for the years ended March 31 (in thousands of dollars)

	Capital Asset Fund (Note 2f)	*Research and Special Fund (Note 2f)*	*Staff Benefits Fund (Note 2f)*	*Trust Fund (Note 2f)*	*2010 Total Restricted Funds*	*2009 Total Restricted Funds*
Revenue:						
Contributions, Donations, Non-Government Grants	$ 10,382	$ 48,700	$ 2,040	$ 5,090	$ 66,212	$ 80,664
Net Investment Income (Note 16)	360		4,573	32,035	36,968	(21,825)
Miscellaneous Income	4,584		114		4,698	4,419
Government Grants:						
Council on Post-Secondary Education	6,053				6,053	4,939
Other Province of Manitoba	14,394	27,145			41,539	29,855
Government of Canada	16,442	63,059			79,501	65,225
City of Winnipeg						2,827
	52,215	138,904	6,727	37,125	234,971	166,104
Expense:						
Academic		117,858			117,858	119,893
Libraries		129			129	126
Student Affairs		106			106	152
Administration		2,677			2,677	2,902
Plant Maintenance		13			13	10
Other Academic Support		322			322	261
General			6,203	2,302	8,505	5,255
Scholarships, Bursaries, Prizes and Awards		4,878		12,130	17,008	17,182
Interest on Bank Loan, Long Term Debt, Capital Advances and Capital Lease Obligations	6,927				6,927	11,988
Amortization of Capital Assets	45,668				45,668	43,675
	52,595	125,983	6,203	14,432	199,213	201,444
Net Revenue	(380)	12,921	524	22,693	35,758	(35,340)
Inter-Fund Transfers (Note 13)	67,365	(8,947)	(7,204)	(8,159)	43,055	31,663
Net Increase (Decrease) to Fund Balances	66,985	3,974	(6,680)	14,534	78,813	(3,677)
Fund Balances Beginning of the Year	578,377	100,373	2,796	110,395	791,941	795,618
Fund Balances End of the Year	$ 645,362	$ 104,347	$ (3,884)	$ 124,929	$ 870,754	$ 791,941
Internally Restricted Funds	$	$	$ 4,126	$ 36,267	$ 40,393	$ 42,170
Externally Restricted Funds		104,347	(8,010)	88,662	184,999	171,394
Invested in Capital Assets	645,362				645,362	578,377
	$ 645,362	$ 104,347	$ (3,884)	$ 124,929	$ 870,754	$ 791,941

(The accompanying Notes form an integral part of the Consolidated Financial Statements)

Consolidated Statement of Cash Flows
as at March 31
(in thousands of dollars)

	General Funds	*Restricted Funds*	*Endowment Fund*	*2010 Total Funds*	*2009 Total Funds*
Cash from Operating Activities:					
Net Revenue (Expense)	$ 34,150	$ 35,758	$ 28,863	$ 98,771	$ (18,256)
Gain on Disposal of Capital Assets		(3,102)		(3,102)	
Amortization of Capital Assets		45,668		45,668	43,675
	34,150	78,324	28,863	141,337	25,419
Net Change in Non-Cash Working Capital Items	11,767	(17,465)		(5,698)	26,348
Net Change in Other Long Term Liabilities		(2,046)		(2,046)	(2,500)
Net Change in Pension Obligation	21,268			21,268	4,043
Net Change in Employee Future Benefits	(4,364)	7,426		3,062	410
Net Cash Generated through Operating Activities	62,821	66,239	28,863	157,923	53,720
Investing Activities:					
Increase in Long Term Investments	(39,172)	(18,956)	(33,855)	(91,983)	(1,428)
Proceeds from Capital Asset Disposals		7,150		7,150	
Purchase of Capital Assets		(90,566)		(90,566)	(85,468)
Net Cash Used in Investing Activities	(39,172)	(102,372)	(33,855)	(175,399)	(86,896)
Financing Activities:					
Proceeds from Capital Lease Obligations		385		385	269
Proceeds from Long Term Debt		31,000		31,000	7,075
Proceeds from Bank Loan		8,800		8,800	
Principal Repayment on Capital Lease Obligations		(513)		(513)	(498)
Principal Repayment on Bank Loan					(3,061)
Principal Repayment on Long Term Debt		(6,423)		(6,423)	(5,550)
Net Cash Generated through (used in) in Financing Activities		33,249		33,249	(1,765)
Net Increase (Decrease) in Cash	23,649	(2,884)	(4,992)	15,773	(34,941)
Inter-Fund Adjustments	(48,047)	43,055	4,992		
Cash Beginning of Year	42,028	79,106		121,134	156,075
Cash End of Year	17,630	119,277	$	136,907	121,134
Cash is defined as:					
Cash	$ 16,813	$ 116,051	$	$ 132,864	$ 90,419
Marketable Investments	817	3,226		4,043	30,715
	17,630	119,277	$	136,907	121,134
Supplemental cash flow information:					
Interest Received	$ 3,933	$ 2,882		$ 6,815	$ 8,816
Dividends Received		$ 5,285		$ 5,285	$ 5,089
Interest Paid		$ 9,197		$ 9,197	$ 9,155

(The accompanying Notes form an integral part of the Consolidated Financial Statements)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31
(in thousands of dollars)

1. AUTHORITY AND PURPOSE

The University of Manitoba was established in 1877. It is governed by a Board of Governors acting under the authority of The University of Manitoba Act, R.S.M. 1987, c. U60. The University of Manitoba is a registered charity and is exempt from income taxes under Section 149 of the Income Tax Act.

The University of Manitoba, as the largest and most comprehensive institution of higher learning in Manitoba, plays a distinctive role within the Province. In addition to offering an undergraduate liberal education in arts, science and education, the University of Manitoba provides programs in a broad range of professional studies, applied sciences and the fine and performing arts and is responsible for the vast majority of graduate education and research in Manitoba. The University of Manitoba reaches out to a variety of constituencies in order to enhance the health, cultural, social and economic life of Manitobans and to provide lifelong learning opportunities for them. Through community service the University makes its expertise available to all Manitobans.

2. SIGNIFICANT ACCOUNTING POLICIES

a. General

These consolidated financial statements have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) as recommended by the Canadian Institute of Chartered Accountants (CICA) for not-for-profit organizations. The University has adopted the restricted fund method of accounting for contributions.

b. Basis of Consolidation

The consolidated financial statements include the accounts of Smartpark Development Corporation, a wholly owned subsidiary of the University of Manitoba. The company has a March 31 year end and its purpose is to develop and operate a research park at the University of Manitoba.

The University has a 12.5% interest in TRIUMF, a joint venture which operates a national laboratory for particle and nuclear physics. The University uses the equity method of accounting to record its interest in TRIUMF.

c. Fund Accounting

The University classifies resources used for various purposes into separate Funds which correspond to its major activities and objectives. The Consolidated Statement of Financial Position combines the assets and liabilities of all Funds.

The University maintains its Funds under three fund categories, General, Restricted and Endowment Funds. The General Funds include the Funds for General Operating, Specific Provisions and Expenses Funded from Future Revenues. The Restricted Funds include the Capital Asset, Research and Special, Staff Benefits and Trust Funds. The Endowment Fund includes endowment funds of the University.

d. Accounting Estimates

Accounting estimates are included in financial statements to approximate the effect of past revenue or expense transactions or events, or to approximate the present status of an asset or liability. Examples include accruals for salaries and benefits, the estimated useful life of an asset and certain actuarial assumptions used in determining employee future benefits. It is possible that changes in future conditions could require changes in the recognized amounts for accounting estimates.

e. General Funds

General Operating Fund:

The General Operating Fund includes the academic, administrative, operational and ancillary costs that are funded by tuition and related fees, government grants, net investment income and miscellaneous income, sales of goods and services to external parties and ancillary income. As such, this Fund reports unrestricted resources and restricted resources earmarked for general operating purposes.

All funds received or accrued by the University for general operating purposes and for equipment and renovation expenses not meeting the University's capitalization criteria are included in the General Operating Fund. The net cost of operating units is determined by including internal cost allocations for certain centrally administered services such as the telephone system in the units' expenses and by deducting these expenses as internal cost recoveries from the total expenses incurred by the unit administering these services.

The University BookStore, Parking, Student Residences and Pharmacy/Post Office are classified as Ancillary Services and are budgeted on a break-even basis. Any surpluses or deficits are transferred to/from the Specific Provisions Fund. Overhead costs have been allocated to all ancillary operations. Amortization of ancillary capital assets and interest expense is recorded in the Capital Asset Fund.

Specific Provisions Fund:
The Specific Provisions Fund records appropriations made from (to) the General Operating, Capital Asset and Research and Special Funds.

These appropriations are made to provide future funding for the replacement, improvement or emergency maintenance of capital assets, unit carryover, a fiscal stabilization provision to offset potential spending in excess of future budgets and other matters. Such appropriations are shown as inter-fund transfers on the Consolidated Statement of Operations and Changes in Fund Balances.

Expenses Funded From Future Revenues:
Expenses Funded from Future Revenues records the amount of unpaid vacation pay for staff which will be funded from future revenues. It also records the actuarially determined expense for employee future benefits and change in pension obligations.

f. Restricted Funds
Capital Asset Fund:
The Capital Asset Fund consists of restricted contributions resulting from capital asset co-funding arrangements with external parties, contributed capital assets, sinking fund investment income and government grants, restricted for the purpose of acquiring capital assets and retiring capital advances. Funding agreements, using promissory notes as a vehicle, entered into with the Provincial Government, for the construction or acquisition of capital assets, which will be repaid from future funding provided by the Provincial Government through the Council on Post Secondary Education (COPSE) are recorded as capital grants. These capital grants, under the restricted fund method of accounting, are reflected as revenue in the Consolidated Statement of Operations and Changes in Fund Balances. The interest expense and the related future funding from COPSE over the terms of the promissory notes, to offset the interest expense and principal payments, are both excluded from the Consolidated Statement of Operations and Changes in Fund Balances. Expenses include interest on debt relating to the acquisition or construction of capital assets, amortization and gains or losses on disposal of capital assets, including write-downs resulting from obsolescence.

Research and Special Fund:
The Research and Special Fund consists of contributions specifically restricted for research or other special activities. Contributions are provided from both federal and provincial granting agencies and other public and private sources. These funds are spent in accordance with the conditions stipulated in the governing contracts and agreements.

Staff Benefits Fund:
The Staff Benefits Fund is divided into Fund Accounts for Pension Reserve, Self-Insured Plans and Benefit Reserve, the revenues of which are restricted for the purposes noted.

(i) Pension Reserve:
This Fund Account is restricted for special payments towards any unfunded liability of the University of Manitoba Pension Plan (1970) and the University of Manitoba Pension Plan (1993) and other pension obligations.

(ii) Self-Insured Plans:
This Fund Account records the assets and liabilities for two self-insured benefit plans, the Long Term Disability Income Plan and the Dental Plan. The Long Term Disability Income Plan is used for long term disability payments arising on and after June 1, 1981 for eligible staff. The Plan contains two funds, one for the payment of Basic Benefits and another for the payment of Cost-of-Living Benefits. The Dental Plan is administered by a contracted third party. Surplus funds are held for the purpose of covering deficits which may occur in this self-insured plan.

(iii) Benefit Reserve:
This Fund Account is used for the support of current and future staff benefit programs. Experience refunds related to the group insurance plans are credited to this Fund Account.

Trust Fund:
The Trust Fund records gifts and bequests received which may be used in their entirety along with net investment income earned on these funds, according to donor restrictions. The majority of these funds are used for scholarships, bursaries, awards, loans, and other scholarly activities.

g. Endowment Fund
The Endowment Fund records gifts and bequests received with the stipulation that these funds be invested in perpetuity and the net realized investment income earned be utilized for designated purposes. The Fund balance also reflects the change in fair value of Endowment Fund investments, which is recorded as a component of net investment income.

h. Revenue Recognition

Restricted contributions are recognized as revenue of the appropriate Fund when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Unrestricted contributions, including sales of goods and services and ancillary revenues, are recognized as revenue of the General Operating Fund in the year received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions for endowment purposes are recognized as revenue in the Endowment Fund in the year received. Net realized investment income earned on endowments is recorded in the appropriate Fund depending on the restrictions imposed by the original donor. The change in fair value (unrealized investment income) of Endowment Fund investments is recorded as a component of net investment income in the Endowment Fund.

Net investment income earned on temporary surplus funds is recorded in the appropriate Fund depending on the restrictions imposed. Investment income on unrestricted surplus funds is recorded as unrestricted income in the General Operating Fund.

i. Contributed Materials and Services

Gifts-in-kind are recorded in the consolidated financial statements to the extent that they are eligible for an official donation receipt, since this results in the capture of the information in the University's financial records.

Because of the difficulty involved in tracking and recording contributed services, the market value of these services are not recognized in the consolidated financial statements. Contributed services include activities such as membership on the University's Board of Governors and its various committees, lecturing services and volunteer services at fund raising or sporting events all of which are performed by staff, students and the community at no charge to the University. These services, although not recognized in the consolidated financial statements, are critical to the successful functioning of the University.

j. Investments

Investments are classified as held-for-trading and are carried at fair value. The change in fair value of investments is reflected as a component of net investment income in the consolidated statement of operations. Fair value of investments is determined based on year end quoted market prices.

k. Pledges Receivable

The University does not record pledges receivable in its consolidated financial statements. Revenue from gifts, bequests and donations is recognized on a cash basis because of the uncertainty surrounding collection and in some instances because of the difficulty in determining the valuation of pledges receivable. The University recognizes gifts and donations to be received through the University of Manitoba Foundation U.S.A. Inc. only when the Board of Directors of the Foundation have formalized the transfer with a resolution, collectability is reasonably assured and the valuation of these gifts and donations can be reasonably determined.

l. Inventories

Inventories have been valued at the lower of cost and net realizable value.

m. Capital Assets

Purchased capital assets are recorded at cost. Capital assets which are constructed by the University are recorded as Construction in Progress until the capital asset is put into use. Contributed capital assets are recorded at market value at the date of contribution. Intangibles such as patents and copyrights are recorded at a nominal amount of one dollar in the year the patent or copyright is obtained.

Amortization is provided on a straight-line basis over the assets' estimated useful lives as follows:

Buildings and Major Renovations	15-50 years
Computer Hardware and Electronics	5-10 years
Furniture and Equipment	10 years
Library Books	10 years
Parking Lots	20 years
Vehicles	5 years

Equipment acquired under a capital lease is amortized over the useful life of the asset. Works of art, treasures, rare books and manuscripts are not amortized.

n. Collections

The University holds a number of collections which have been donated to its libraries, faculties and schools over the years. The library, faculty or school receiving the donation assumes responsibility for safeguarding and preserving the collection. The University seldom, if ever, disposes of its collections or of individual pieces in its collections and therefore does not have a formal policy with respect to the use of proceeds of disposal. However, the University abides by all restrictions placed by donors at the time a donation is received, which may include restrictions imposed relating to the sale of a collection or items contained therein.

The University's policy with regard to its collections is to fund maintenance expenses from the General Operating Fund, if monies are not available for such purposes in a Restricted Fund. The cost of maintenance is not tracked and is therefore not determinable.

o. Pension Costs

The University sponsors three pension plans for its employees and retirees:

The University of Manitoba Pension Plan (1970), The University of Manitoba Pension Plan (1993) and The University of Manitoba GFT Pension Plan (1986). The 1970 Plan and 1986 Plan are defined contribution plans and as a result the pension costs are based on contributions required by those plans.

The Pension Costs for the 1993 Plan are determined actuarially using the projected unit credit actuarial cost method and best estimate expectations of investment performance, salary escalation, retirement ages of employees and member mortality. Actuarial gains and losses are amortized on a straight line basis over the expected average remaining service life of the active employees, commencing in the year following the year the respective annual actuarial gains or losses arise.

The funded position of the 1993 plan is disclosed in Note 15.

p. Financial Instruments

The University continues to apply Section 3861 Financial Instruments – Disclosure and Presentation in place of Sections 3862 and 3863.

The financial instruments at the University consist of cash, marketable investments, accounts receivable, investments, accounts payable, bank loan, staff vacation entitlements, other long term liabilities, and long term debt.

Initially, all financial assets and liabilities must be recorded on the Consolidated Statement of Financial Position at fair value. Subsequent measurement is determined by the classification of each financial asset and liability.

Under this standard, all financial instruments are classified as one of: held-for-trading; loans and receivables; held-to-maturity; available-for-sale or other liabilities. Financial assets and liabilities held-for-trading are measured at fair value with gains and losses recognized in the Consolidated Statement of Operations. Financial instruments classified as held-to-maturity, loans and receivables and other liabilities are measured at amortized cost. Available-for-sale financial instruments are measured at fair value, with unrealized gains and losses recognized directly in unrestricted net assets.

The University has classified its cash, marketable investments and investments as held-for-trading, which are measured at fair market value. Accounts receivables are classified as loans and receivables which are measured at amortized cost and accounts payable, staff vacation entitlements, bank loan and long term debt are classified as other liabilities, which are measured at amortized cost.

The primary risk exposures for investments are foreign currency, interest rate volatility, and market and credit risk. The University, through the work of its investment committees, has formal policies and procedures in place governing asset mix among equity, fixed income and alternative investments, requiring diversification within categories, and setting limits on the size of exposure to individual investments. The University is also exposed to interest rate risk on its long term debt. The University has entered into interest rate swap agreements for a portion of its long term debt obligations.

q. Employee Future Benefits

The University accrues its obligations for employee future benefit plans relating to health, dental, long term disability, and group life insurance. The cost of non-pension post-retirement and post-employment benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimates for the discount rate for liabilities, the expected rate of return on assets, retirement ages and expected future cost trends.

The University also accrues its obligations relating to post-retirement adjustments to pensions for specifically entitled employees who retired prior to 1993. The cost of such post-retirement pension adjustments is actuarially determined using the projected benefit method and management's best estimate for the discount rate for liabilities and the expected rate of return on assets. Any increase in such adjustments is recognized in the year that it occurs.

Actuarial gains or losses are recognized in the year the gain or loss arises.

r. Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated at the year-end exchange rate. Revenues and expenses are translated at exchange rates on the transaction dates. Gains or losses arising from these translations are included in earnings.

s. Derivative Financial Instruments

From time to time, the University uses derivative financial instruments, including interest rate swap agreements, in its management of exposures to fluctuations in interest rates. An interest rate swap is a derivative financial contract between two parties who agree to exchange fixed rate interest payments for floating rate payments on a predetermined notional amount and term. Hedge accounting is used when there is a high degree of correlation between price movements in the derivative instrument and the item designated as being hedged. Any derivative financial instruments that do not qualify for hedge accounting are adjusted to fair value at each year end with any resulting gains or losses recorded in net revenue.

3. CHANGES IN ACCOUNTING POLICIES

The University has adopted the changes to CICA Handbook section 4400. The primary impact is the applicability of section 1540 "Cash Flow Statements". Adoption of this change has resulted in additional disclosure on the cash flow statement.

The University also adopted the following new standard which affects the fair value valuation of financial assets and liabilities:
The CICA issued *EIC-173* regarding the credit risk and the fair value of financial assets and financial liabilities. The EIC requires entities to consider both their own risk and the risk of the counter parties when measuring the fair value of financial assets and financial liabilities for presentation and disclosure purposes.

4. ACCOUNTS RECEIVABLE

	2010	2009
Council on Post-Secondary Education	$ 189	$ 513
General	39,801	30,597
Research and Special	24,558	29,804
	$ 64,548	$ 60,914

5. INVESTMENTS

	2010 Fair Value	2009 Fair Value
Research and Special Funds		
Guaranteed Investment Certificate	$	$ 346
General Funds		
Bonds and Other Fixed Income Securities:		
Province of Manitoba		45,238
Other Provincial	14,895	15,213
Corporate	104,632	19,904
	119,527	80,355
Trust & Endowment		
Bankers Acceptances, Guaranteed Investment Certificates and Cash	13,478	8,023
Bonds and Other Fixed Income Securities:		
Government of Canada	22,784	41,212
Province of Manitoba	2,502	1,425
Other Provincial	12,162	9,666
Corporate	6,444	5,011
Other	85	134
Municipal	2,837	
	46,814	57,448

	2010 Fair Value	2009 Fair Value
Equities:		
Canadian Equities	108,989	74,137
US Equities	57,078	46,882
International Equities	43,033	32,717
	209,100	153,736
Pooled Real Estate Fund	43,726	43,532
	313,118	262,739
Capital		
Bankers Acceptances, Guaranteed Investment Certificates and Cash	24,965	19,684
Corporate Bonds	796	832
	25,761	20,516
Staff Benefits		
Money Market Funds and Cash	518	460
Bonds	8,028	8,587
Equities:		
Canadian Equities	5,854	6,680
US Equities	3,418	3,826
International Equities	3,304	3,914
	12,576	14,420
Mortgage Fund	2,319	2,441
	23,441	25,908
Total Investments	$ 481,847	$ 389,864

As at March 31, the average yields and the terms to maturity are as follows:

- Bankers Acceptances, Guaranteed Investment Certificates and Money Market Funds: 0.46% (2009, 0.71%); term to maturity: less than one year
- Government and Corporate bond funds: 3.00% (2009, 3.94%): terms to maturity: range from less than one year to more than 12 years.

The University's investment in real estate consists of units of a pooled real estate investment in the Great West Life Assurance Company – Canadian Real Estate Investment Fund No. 1. Effective December 15, 2008, the Great West Life Assurance Company placed a suspension on redemptions and transfers of units of the Fund. As at May 26, 2010 the suspension of redemptions and transfers of units was still in effect. The Great West Life Assurance Company has publicly disclosed that the suspension will be lifted in July 2010; however, withdrawal requests will be based on the amount of cash available in the fund, so unit holders requesting withdrawals may receive only a portion of their redemption request.

During the year ended March 31, 2010, the University recognized net unrealized gains of $63,517 (2009, net unrealized losses $78,942) on investments classified as held-for-trading, which are recorded in net investment income in the consolidated statement of operations.

6. CREDIT RISK EXPOSURE AND MANAGEMENT

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at March 31 was:

	2010	2009
Financial Assets Held-For-Trading:		
Cash	$ 132,864	$ 90,419
Marketable Investments	4,043	30,715
Investments	481,847	389,864
Loans and Receivables:		
Accounts Receivable	64,548	60,914
Totals	$ 683,302	$ 571,912

The University manages the credit risk related to these items as follows:

Cash and marketable investments are held in high quality Canadian money market instruments in Canadian Chartered banks or equivalent. Exposure to risk is managed by considering the rates of return in conjunction with liquidity needs and making investments in a variety of short term instruments with several financial institutions.

Credit risk related to investments is managed by maintaining a diverse portfolio of investments, investing with counterparties considered to be of high quality, and limiting the amount that can be invested in any one holding.

A significant portion of the University's accounts receivable is related to Research and Special Funds as disclosed in Note 4 and is from the federal and provincial governments, not-for-profit organizations, corporations, the US government and other universities. The University also has accounts receivable from students and staff. The credit risk on these receivables is minimal. The remaining accounts receivable are due from a diverse group of customers and are subject to normal credit risks.

7. CAPITAL ASSETS, NET OF ACCUMULATED AMORTIZATION

	2010		2009	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Assets Under Capital Lease	$ 3,421	$ 2,545	$ 3,285	$ 2,275
Buildings and Major Renovations	707,303	167,589	659,161	155,232
Computer Hardware and Electronics	96,144	74,657	97,186	72,419
Construction in Progress	27,075		24,581	
Furniture and Equipment	196,494	121,655	186,029	109,996
Land	27,315		22,184	
Library Books	160,101	114,507	152,613	108,475
Parking Lots	7,835	1,784	7,074	1,411
Rare Books and Manuscripts	4,992		4,833	
Vehicles	7,576	6,006	7,307	5,533
Works of Art	2,334		2,085	
	1,240,590	488,743	1,166,338	455,341
Less Accumulated Amortization	488,743		455,341	
Net Book Value	$ 751,847		$ 710,997	

In March 2009 the Duff Roblin Building suffered significant damage due to an electrical fire. Work is underway to restore the building and either recover the contents or replace what was lost. The original cost of the Duff Roblin Building is estimated to be $8.1 million with an approximate net book value of $3.0 million. The University maintains insurance coverage. The University has estimated the damages in terms of original costs of the building. As a result, a write down of $300 in the net book value of the building (cost $2,000, accumulated amortization $1,700) has been recorded. The reconstruction costs are being capitalized as incurred and the related insurance proceeds recorded as revenue.

8. CAPITAL LEASE OBLIGATIONS

Minimum lease payments which include principal and interest under the capital lease obligations are as follows:

2011	$ 417
2012	304
2013	141
2014	23
Total Minimum Lease Payments	885
Less: Interest at 4.30%	(60)
	825
Less: Current Portion	(385)
	$ 440

9. LONG TERM DEBT

	2010	2009
Province of Manitoba:		
Promissory Note, 5.23% due March 1, 2035	$ 69,093	$ 70,400
Promissory Note, 5.55% due April 1, 2036	70,742	71,918
Promissory Note, 5.35% due February 1, 2040	30,965	
	170,800	142,318
Capital Advances:		
6 7/8% due March 31, 2011	555	555
Term Loans:		
*Smartpark Multi Tenant Facility, 5.975% due October 31, 2012	1,260	1,300
*Smartpark Multi Tenant Facility, 5.95% due January 22, 2014	1,150	3,350
	2,410	4,650
Bankers Acceptances with Interest Rate Swaps:		
*Smartpark Multi Tenant Facility, 3.85% due February 11, 2019	7,075	7,075
Energy Performance Program, 4.31% due November 10, 2009		1,245
Arthur V. Mauro Student Residence, 5.62% due September 5, 2028	14,673	15,093
	21,748	23,413
	195,513	170,936
Less Current Portion:		
Promissory Notes	(3,053)	(2,484)
Capital Advances	(555)	
Term Loans	(42)	(39)
Bankers Acceptances	(445)	(1,665)
	(4,095)	(4,188)
	$ 191,418	$ 166,748

Represents debt of Smartpark Development Corporation.

Interest expense on long term debt was $6,518 (2009, $11,872).

The fair value of long term debt is approximately $200,699 compared to a carrying value of $195,513. Fair value of these long term debt instruments has been determined using future payments of principal and interest of the actual outstanding long term debt discounted at current interest rates available to the University.

The University entered into an interest rate swap agreement whereby the University has fixed a swap rate of 5.62% on a 25 year loan for the Arthur V. Mauro Student Residence. A stamping fee is committed until September 1, 2013. Under the terms of the agreement, the University is required to make monthly principal and interest repayments similar to a conventional amortizing loan. The notional principal underlying this swap agreement amounted to $14,673 as at March 31, 2010 (2009, $15,093).

Smartpark Development Corporation, (Smartpark), entered into an interest rate swap agreement to finance the development of 150 Innovation Drive, whereby the Smartpark has fixed a swap rate of 3.85% that is committed until February 11, 2029. A stamping fee is committed until February 2019. Under the terms of the agreement, Smartpark is required to make monthly principal and interest repayments based on a total amortization period of 25 years, similar to a conventional amortizing loan after February 11, 2016. The notional principal underlying this swap agreement was $7,075 as at March 31, 2010 (2009, $7,075).

The fair value of the swap agreements on long term debt at March 31, 2010 was $1,928 (2009, $4,608) and has been recorded in accounts payable.

Principal repayments on long term debt payable over the next five years are as follows:

	Promissory Notes	Capital Advances	Term Loans	Bankers Acceptances	Total
2011	$ 3,053	$ 555	$ 42	$ 445	$ 4,095
2012	3,221		44	474	3,739
2013	3,398		1,174	503	5,075
2014	3,586		1,150	533	5,269
2015	3,783			567	4,350
Thereafter	153,759			19,226	172,985
	$ 170,800	$ 555	$ 2,410	$ 21,748	$ 195,513

10. OTHER LONG TERM LIABILITIES

Amounts included in other long term liabilities are non interest bearing and are as follows:

	2010	2009
Refundable deposit	$ 346	$ 346
Southwood Golf Club lands	1,700	4,200
	2,046	4,546
Less: Current Portion	(2,046)	(2,500)
	$	$2,046

11. EMPLOYEE FUTURE BENEFITS

The University of Manitoba provides certain health, dental and group life benefits for its retired employees who have met the eligibility criteria and long term disability benefits for current employees. Post-retirement pension benefits are also provided for specifically entitled retirees.

Health, dental and group life benefits are provided to employees who retired prior to July 1, 2004 on a non-contributory basis. The group life benefits are indexed post-retirement. For eligible employees retiring on or after July 1, 2004, no group life benefit is available, and retired former employees share in the cost of the health and dental benefits.

The long term disability income benefit is provided on a contributory basis.

Post-retirement pension benefits are provided to specifically entitled employees who retired prior to 1993. The adjustments for a year are determined as the lesser of the amounts that can be provided by a weighted average percentage salary increase at the University, or the excess interest approach provided under the University of Manitoba Pension Plan (1993). One hundred percent of the adjustments are paid by the University.

The University measures the fair value of assets and the accrued benefit obligations for the non-pension and post-retirement pension adjustments as of March 31. The most recent actuarial valuations of the non pension benefit plans were as of March 31, 2010 with the next valuations due as of March 31, 2013. The most recent actuarial valuation of the post retirement pension adjustments was as of March 31, 2010, with the next valuation due as of March 31, 2011.

The Accrued Benefit Obligation for the non-pension benefit plans and the post-retirement adjustments are reported in the university's consolidated statement of financial position under long term liabilities.

Information about the University's defined benefit plans as at March 31 is as follows:

	Non-Pension Benefit Plans		Post-Retirement Adjustments		Total	
	2010	2009	2010	2009	2010	2009
Benefit Cost	$ 4,567	$ 9,014	$ 18	$ 492	$ 4,585	$ 9,506
Accrued Benefit Obligation	57,474	54,067	4,476	4,821	61,950	58,888
Plan Assets	19,789	16,739	1,779	1,797	21,568	18,536
Employer Contribution	4,211	3,454	345	1,475	4,556	4,929
Employees' Contributions	2,040	1,595			2,040	1,595
Benefits Paid	6,343	5,050	690	740	7,033	5,790

Plan assets consist of:

	Non-Pension Benefit Plans		Post-Retirement Adjustments	
	2010	2009	2010	2009
Equities	54%	56%	55%	56%
Fixed Income	34%	33%	35%	34%
Other	12%	11%	10%	10%
Total	100%	100%	100%	100%

Key Assumptions are:

	Non-Pension Benefit Plans		Post-Retirement Adjustments	
	2010	2009	2010	2009
Accrued benefit obligation at March 31:				
Discount rate	5.50%	6.00%	5.75%	6.00%
Benefit Cost for year ended March 31:				
Discount rate	6.00%	5.50%	6.00%	5.25%
Expected rate of return on assets	6.00%	6.00%	6.00%	5.25%
Health Care Cost Trend Rates at March 31:				
Initial rate	8.50%	10.50%		
Ultimate rate	6.00%	6.00%		
Year ultimate rate reached	2020	2017		
Dental Care Cost Trend Rates at March 31:				
Discount rate	4.00%	4.00%		

12. INTER-FUND ADVANCES AND LOANS

Inter-Fund advances and loans at March 31 are as follows:

	2010	2009
General Operating Fund:		
Due to Capital Asset	$ (40,426)	$ (25,026)
Due to Trust	(1,741)	(2,674)
Due from Research		562
	$ (42,167)	$ (27,138)
Capital Asset Fund:		
Due from Operating	$ 40,426	$ 25,026
Due to Research	(4,504)	(3,696)
Due to Trust	(909)	(909)
	$ 35,013	$ 20,421
Trust Fund:		
Due from Operating	$ 1,741	$ 2,674
Due from Capital	909	909
	$ 2,650	$ 3,583
Research and Special Fund:		
Due from Capital	$ 4,504	$ 3,696
Due to Operating		(562)
	$ 4,504	$ 3,134

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(in thousands of dollars)

13. INTER-FUND TRANSFERS

Inter-Fund transfers at March 31 are as follows:

	General Operating	Specific Provisions	Expenses Funded From Future Revenues	Capital Asset	Research and Special	Staff Benefits	Trust Fund	Endowment Fund
Employee Future Benefits	$ 3,062	$	$ 4,364	$	$	$(7,426)	$	$
Net Change in Vacation Pay & Pension Liability	21,850		(21,850)					
Benefit Premiums Net of Employer Contributions for Staff Benefits	(222)					222		
Appropriations for Specific Provisions:								
Capital Asset Replacements & Improvements	(3,358)	3,358						
Unit Carryovers, Special Projects & Initiatives	(56,403)	56,403						
Funding of Capital Asset Additions	(44,290)	(4,949)		56,718	(4,265)		(3,214)	
Long Term Debt Repayments	(3,665)			3,705	(40)			
Student Contributions to University Development Funds	(738)			11				727
Student Contributions for Technology	(2,870)			2,870				
Scholarships, Bursaries & Prizes	(4,513)	(100)			(126)		4,739	
Other Net Transfers	(70)	28		(28)	(1,638)		(2,557)	4,265
Overhead Recoveries	3,252				(3,252)			
Funding of General Operating Expenses	59,093	(51,176)		(811)	(884)		(6,222)	
Unit Capital Development Assessment	(4,900)			4,900				
Funding of Research Projects	(353)				1,258		(905)	
March 31, 2010	$ (34,125)	$ 3,564	$ (17,486)	$67,365	$ (8,947)	$(7,204)	$ (8,159)	$ 4,992
March 31, 2009	$ (41,532)	$ 8,698	$ (3,250)	$54,640	$ (10,942)	$(1,960)	$(10,075)	$ 4,421

14. CONTRIBUTED CAPITAL ASSETS

Contributions recognized in the Capital Asset Fund include contributed building, capital equipment, library books and artwork of $4,300 (2009, $1,159).

15. PENSION PLANS

The University of Manitoba administers The University of Manitoba Pension Plan (1970), The University of Manitoba GFT Pension Plan (1986) and The University of Manitoba Pension Plan (1993). These are trusteed pension plans. The Trustees are responsible for the custody of the Plans' assets and issuance of annual financial statements, which do not form part of the University's financial statements.

1993 Plan

The University of Manitoba Pension Plan (1993) is a money purchase plan with a defined benefit minimum. In prior years, the surplus from the Plan was adequate to fund any amounts required in excess of matching contributions of active members and the University.

The actuarial present value of accrued pension benefits for the 1993 Plan has been determined using the projected unit credit actuarial cost method, and assumptions developed by reference to expected long term market conditions. An actuarial valuation for accounting purposes, as at December 31, 2009, was completed in 2010 by a firm of consulting actuaries.

The University uses a December 31 measurement date for reporting plan assets and obligations.

The actuarial present value of benefits and plan assets as of December 31, were as follows:

Accrued Benefit Obligation	2009	2008
Actuarial present value of accrued pension benefits at beginning of year	$ 887,016	$ 939,667
Interest accrued on defined benefits	23,523	19,442
Interest accrued (decreased) on member accounts	91,564	(93,809)
Benefits accrued	38,370	35,894
Benefits paid	(60,407)	(70,613)
Actuarial (gains) losses	(43,608)	42,517
Change in assumptions		13,918
Actuarial present value of accrued pension benefits at end of year	$ 936,458	$ 887,016

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	2009	2008
Plan Assets		
Fair value at beginning of year	$ 770,662	$ 957,821
Actual return on plan assets	143,407	(147,023)
Employer contributions calendar year	18,886	15,051
Employee contributions	16,100	15,050
Transfer from other plans	374	376
Benefits paid	(60,407)	(70,613)
Fair value at end of year	$ 889,022	$ 770,662
Reconciliation of Pension Liability		
Accrued benefit obligation	$ 936,458	$ 887,016
Plan assets	(889,022)	(770,662)
Plan deficit	47,436	116,354
Contributions during fiscal year in excess of calendar year	(447)	(447)
Adjusted plan deficit	46,989	115,907
Unamortized net actuarial (losses)	(21,678)	(111,864)
Pension liability	$ 25,311	$ 4,043
Pension Liability		
Beginning of year	$ 4,043	$
Employer contributions, fiscal year	(18,886)	(15,498)
Net benefit plan expense	40,154	19,541
Pension liability end of year	$ 25,311	$ 4,043
Net Benefit Plan Expense		
Current service cost, net of employee contributions	$ 21,896	$ 20,468
Interest costs at discount rate	52,560	55,338
Expected return on plan assets	(45,488)	(56,265)
Amortization of actuarial loss	11,186	
Net benefit plan expense	$ 40,154	$ 19,541
Significant Long-term Actuarial Assumptions		
Discount rate	6.0%	6.0%
Expected rate of return on assets	6.0%	6.0%
Rate of general salary increase	4.0%	4.0%
Interest assumption for converting member accumulations to Annuities	5.5%	5.5%
Mortality based on an adjustment to the Uninsured Pensioner 1994 Mortality table Projected to 2015.	the adjustment varies by age (average 67%)	the adjustment varies by age (average 67%)

In 2009, the Manitoba Pension Commission advised that the University is required to begin to make additional payments with respect to current service costs. This total payment for fiscal 2010 was $2.8 million. The amount for 2011 and future years will not be known until the 2009 pension valuation is completed in 2010 as described below.

The unamortized net actuarial losses shown above, which were determined on the basis of this valuation for accounting purposes, are being amortized over a period of 10 years (expected average remaining service life) starting in the year following the year the respective annual actuarial gains or losses arise. However, cash funding for the pension plan is based on the going-concern funding valuation as described below.

The going concern deficit that results from these and other sources of loss, as they apply to the valuation for funding purposes filed with the pension regulators, will have to be funded under the Pension Benefits Act over a maximum of 15 years following next funding valuation date, December 31, 2009 to be completed in 2010. It is expected that this valuation will lead to a significant increase in the required funding contribution of the University. In addition to matching contributions and additional contributions for current service costs, the University would also have to make payments to fund the deficit over 15 years.

In 2009, as permitted under the University Pension Plans Exemption Regulation, the University filed an election for an exemption to the solvency deficiency funding requirements under the Pension Benefits Act for the 1993 Plan However, the Plan will continue to be subject to the going-concern funding provisions of the Act and any funding deficits will have to be paid by the University over a maximum of 15 years as indicated above.

1986 Plan
For the 1986 Plans, which is a money purchase plan for active members, the University recorded contributions of $1,836 (2009, $1,669) and this is included in the consolidated statement of operations as an expense.

1970 Plan
There were no university employees earning pension entitlements in 2009 in the1970 Plan. As a result, the University made no contributions to the Plan during the year.

16. NET INVESTMENT INCOME (LOSS)

2010	General Operating Fund	Staff Benefits Fund	Trust Fund	Capital Fund	Endowment Fund	Total Funds
Net Realized Investment Income:						
Interest	$ 3,933	$ 590	$ 1,897	$ 395	$	$ 6,815
Dividends			5,285			5,285
Gains (losses) on sale of investments		121	(18,397)			(18,276)
	3,933	711	(11,215)			(6,176)
Change in fair value of investments	(830)	3,862	43,250	(35)	17,270	63,517
Total	$ 3,103	$ 4,573	$ 32,035	$ 360	$ 17,270	$ 57,341

2009	General Operating Fund	Staff Benefits Fund	Trust Fund	Capital Fund	Endowment Fund	Total Funds
Net Realized Investment Income:						
Interest	$ 5,023	$	$ 3,004	$ 789	$	$ 8,816
Dividends		729	4,360			5,089
Gains on sale of investments		147	2,767			2,914
	5,023	876	10,131	789		16,819
Change in fair value of investments	626	(6,961)	(26,660)		(45,947)	(78,942)
Total	$ 5,649	$ (6,085)	$ (16,529)	$ 789	$ (45,947)	$ (62,123)

17. CAPITAL DISCLOSURES

a. Capital Management

General Funds (note 2e)
The University's objective in managing its operating capital is to maintain sufficient resources to allow it to satisfy its financial obligations even if adverse financial events were to occur.

The University manages its operating capital through an operating budget which is approved by the Board of Governors. The University has been successful at achieving a balanced budget at the end of each fiscal year and this success is credited to a strong commitment to fiscal responsibility and financial stability as well as a strong commitment by faculties, schools, libraries and support units who share in that responsibility. This is achieved in a decentralized system of budgetary control whereby academic and support units are allocated resources on an annual basis to meet their strategic priorities and those of the University. These operating units are provided with procedures to administer their budgets responsibly and to ensure that there is accountability for the resources that are transferred to them. In the event of a shortfall in revenues, the University could invoke a spending freeze, reduce budgets, or access its Provisions Funds including the Fiscal Stabilization Fund.

Restricted Funds and Endowment Fund (notes 2f and 2g)
The University also maintains externally and internally restricted funds (note 2f) and an endowment fund (note 2g).

The restricted funds are managed with the objectives to spend the funds in accordance with the various terms and not spend beyond the resources that have been provided. Individual funds are established and carefully monitored both within the departments and within central administration. In the event of an over expenditure or ineligible expenditure, the department would be responsible for funding the costs from other resources. In the case of the Capital Asset Fund, at the approval of the Province of Manitoba, the University is permitted to enter into long term debt to assist with the financing of capital assets.

The endowment fund is managed with the long term objective of preserving the capital of the individual endowment accounts to achieve inter-generational equity, whereby current students are neither advantaged nor disadvantaged compared to future students. The goal is to earn investment returns, adjusted for inflation, which will support the ongoing expenditures and commitments of the fund. The Trust Investment Committee ("the Committee") is responsible for the investment of endowment assets. Assets are invested in accordance with an Investment Policy Statement. The Committee determines an asset mix that meets the return objectives of the fund while assuming an

appropriate level of risk. Each individual asset (within the mandate of the approved asset mix) is invested by professional external managers, and the portfolio is rebalanced to the target asset mix according to the Investment Policy Statement. The asset mix is reviewed annually to assess whether the risk and return objectives of the fund are met.

The approved spending rate of the net investment income earned on the endowment fund, plus inflation, must be supported by the long term investment. The spending rate is set by the Vice-President (Administration) based on the recommendation of the Committee and reviewed annually to determine the viability of maintaining the rate in light of long term investment performance. The performance of the fund is subject to volatility. The endowment fund is monitored through full market cycles to assess the effectiveness of the asset mix and spending rates which are then adjusted accordingly.

b. Quantitative data

The University's capital comprises its fund balances, which include unrestricted funds, internally restricted funds, externally restricted funds, and funds invested in capital assets. Capital in the restricted funds also includes long term debt. The University's Consolidated Statement of Operations and Changes in Fund Balances sets out fund balances at the beginning and end of the year.

As at March 31, 2010, The University has met its objectives with respect to its capital requirements. There were no changes in capital management during the year.

18. CONTRACTUAL OBLIGATIONS AND CONTINGENCIES

The University of Manitoba is a member of the Canadian Universities Reciprocal Insurance Exchange (CURIE). CURIE pools the property damage and public liability insurance risks of its members. All members pay annual deposit premiums, which are actuarially determined and are subject to further assessment in the event members' premiums and reserves are insufficient to cover losses and expenses. No additional assessment was necessary for the current year.

Contractual obligations relating to Construction in Progress amount to $61,722 (2009, $13,502).

The University of Manitoba is named as a defendant in litigations where action has commenced or is anticipated. While the ultimate outcome of these proceedings cannot be predicted at this time, management and its legal counsel are of the opinion that the outcome will not have a material effect on the financial position of the University. No provision has been made in the financial statements in respect of these claims as of March 31, 2010.

The members of the TRIUMF joint venture and the Canadian Nuclear Safety Commission (CNSC) approved a decommissioning plan which requires all members to be severally responsible for their share of the decommissioning costs, which were estimated at $44 million as of November 2007, as well as provide financial covenants to the CNSC for the amount of these costs. While there are no current intentions to decommission the facilities, and the facilities are estimated to have an indefinite useful life, the University's share of the unfunded decommissioning costs, as at April 1, 2009, is estimated at $4 million. The March 31, 2010 figures are not available. TRIUMF has put in place a plan for funding the cost of decommissioning which does not require any payments from the joint venture partners.

19. ECONOMIC INTEREST IN RELATED ENTITIES

The University of Manitoba Foundation U.S.A. Inc.

The University has an economic interest in the University of Manitoba Foundation U.S.A. Inc. ("the Foundation") which is an Illinois Not-For-Profit Corporation incorporated in December 1989. The Foundation's purpose is exclusively charitable, literary, scientific and educational and its activities include the promotion, encouragement, aid and advancement of higher education, research and training in the Province of Manitoba, in Canada and elsewhere. The Foundation is exempt from U.S.A. Federal Income Tax under Section 501(c)(3) of the Internal Revenue Code.

The Board of Directors of the Foundation is an independent board whose members direct and guide the Foundation's actions. Members of the Board include, among others, certain senior staff of the University of Manitoba. The University of Manitoba, however, is one of many universities eligible to receive aid from the Foundation. The University must make application to the Foundation's Board of Directors to request funds, which may or may not be granted. The University's economic interest therefore is beneficial, as gifts and donations which are solicited by the Foundation may be transferred to the University of Manitoba from time to time.

20. COMPARATIVE FIGURES

Comparative figures for the year ended March 31, 2009 have been reclassified, where appropriate, to conform with the presentation adopted for the year ended March 31, 2010.